



May 16, 2003

California Energy Commission
Re: Docket No. 03-RPS-1078
Docket Unit, MS-4
1516 – 9th Street
Sacramento, California
USA 95814-5504

Via E-mail and Courier

Dear Madam/Sir:

Re: Comments of Powerex Corp. in Docket No. 03-RPS-1078

Powerex Corp. ("Powerex") recently had the opportunity to attend and participate in a workshop at the California Energy Commission ("CEC") regarding California's Renewable Portfolio Standard ("RPS") Phase II implementation on May 13, 2003. Powerex appreciates the opportunity to have participated in this workshop and to provide its comments herein.

Powerex is the wholly owned power marketing subsidiary of the British Columbia Hydro and Power Authority ("BC Hydro"). BC Hydro is Canada's third largest electricity utility and serves over 1.6 million customers in the Canadian province of British Columbia ("BC"). BC Hydro has recently entered into contracts with BC-based independent power producers ("IPPs") producing electricity from small hydro, biomass and land fill gas technologies. Powerex has the marketing rights to any Renewable Energy Certificates ("RECs") which may accrue from these IPPs. It is in this context that Powerex is interested in marketing its RECs to California Load Serving Entities ("LSEs") and ensuring that those RECs meet California's RPS requirements.

Powerex understands and fully supports the requirement for verification and transparency in order for a vibrant, credible and active REC market to develop. Powerex agrees that RECs, due to their ethereal nature, should be tracked to prevent any double counting and must absolutely meet or exceed the strict requirements under which they were created. Accordingly, it is Powerex's position that it ought to be able to provide RECs from renewable generation sourced in BC to California LSEs and that Powerex would be able to meet or exceed the CEC's standards. Currently Powerex employs the auditing firm of KPMG LLP to verify the source and quality of renewable generation, to ensure the RECs meet the marketing claims of Powerex and to ensure the RECs are unique and not double counted. Powerex believes an independent and reputable auditor available to the CEC ought to allay the CEC's valid concerns about the qualification of the RECs without the CEC having to conduct its own audit.

supply.
flexibility.
commitment.

POWEREX CORP.

Suite 1400
666 Burrard Street
Vancouver, BC
Canada V6C 2X8
TEL: 604.891.5000
1.800.220.4907
www.powerex.com

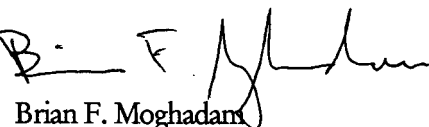
In terms of RECs being offered to California either bundled or unbundled with electricity to meet the RPS, Powerex is indifferent to the extent that Powerex is able to bundle CEG-certified RECs with spot electricity purchased in the WECC and delivered to California. Since an REC discussed in this context could only be created by a renewable generator in the WECC, then it would stand to reason that when a renewable generator interconnected to the WECC is generating, it would displace a non-renewable generator. Furthermore, RECs transfer the environmental attributes of a renewable generator to the purchaser of the REC. Therefore, a purchaser of RECs from a renewable generator in the WECC may rightfully claim that for matching quantities of electricity, that purchaser's electricity is now renewable. A key benefit of a potentially rebundled REC (spot electricity and equivalent CEG-approved RECs) could be to relieve transmission congestion in California.

In principle, Powerex would support a WECC-wide accounting system for RECs. Powerex believes if one is able to create a seamless standard across the West, more competition for RECs will likely come to pass which would be beneficial to California's RPS requirements and lower the cost of renewable energy as a whole.

In terms of establishing a contract path versus an electronic path accounting and verification system, Powerex believes in the short run a contract path system may be easier to implement simply by requiring participants to maintain records and to have those records available to an independent auditor. Once again, a contract path system may produce more competitors quickly to meet California's RPS requirements. Powerex is not in opposition to an electronic system. However, such a system may take longer to implement and, if focused primarily on California in-state generation, could preclude out-of-state generation to compete.

Thank you for this opportunity to comment. Powerex looks forward to continuing to participate in the CEC's public proceedings to implement California's RPS, and also to competing to supply California LSEs with RECs that will help achieve California's Renewable Energy targets.

Regards,



Brian F. Moghadam
Manager, Business Development
Powerex Corp.

Tel: 604.891.5058
Fax: 604.891.5056
Email: brian.moghadam@powerex.com